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Corporate Political Disclosure Rankings Show ‘Dramatic Gap’ in Transparency Between Largest and Smaller Companies

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Summary

The Center for Political Accountability (CPA) and the University of Pennsylvania’s Zicklin Center for Governance and Business Ethics unveiled their [2022 CPA-Zicklin Index](#) on October 11, revealing a “dramatic gap” in political accountability between the S&P 500 companies and the other companies in the Russell 1000. Over the past 10 years, the Index has induced an increasing number of companies to voluntarily disclose information about their political spending and lobbying activities.

The Upshot

- Center for Political Accountability and Penn’s Zicklin Center expanded their annual rankings of companies for political transparency this year to include the entire Russell 1000.
- Overall scores for transparency continue on an upward trend, but the gap between S&P 500 companies and the rest of the Russell 1000 is stark.

- Disclosure and accountability for corporate political spending are increasingly being adopted as ESG metrics and a focus for shareholders.

The Bottom Line

More companies will find their political disclosure and accountability scores on the CPA-Zicklin Index this year. In this hyper-partisan political environment, the focus on transparency as an ESG issue and the subject of shareholder activism is intensifying. No matter where your company falls on the Index, Ballard Spahr can help to align your political and policy objectives with these increased calls for disclosure and accountability.

Every year for the past decade, the Center for Political Accountability and the University of Pennsylvania's Zicklin Center for Governance and Business Ethics have published the [CPA-Zicklin Index](#) ranking U.S. companies for transparency and accountability in their political spending. This year, the [CPA-Zicklin Index](#) began rating the entire Russell 1000, not just the companies in the S&P 500. The researchers found a large gap between transparency and accountability for S&P 500 companies and the rest of the Russell 1000. The Index focuses on direct contributions to state and local candidates, parties, and committees; 527 groups; independent expenditures and ballot measures; as well as indirect contributions to trade associations and 501(c)(4) "social welfare" organizations.

Corporate political spending has ballooned since the Supreme Court's ruling in *Citizen's United*. Shareholders have increasingly sought greater transparency from corporations in their political spending, calling for companies to align their political spending with stated corporate values. Companies are evaluating how their political spending comports with their ESG priorities and whether their spending is creating unintended risks. In the aftermath of January 6, many companies reevaluated their contribution policies and criteria, paused giving, and in a handful of cases, even folded their federal Political Action Committees.

In the absence of regulatory requirements to do so, these internal and external pressures have caused a growing number of companies to voluntarily disclose information about their political spending and lobbying activities. Many major U.S. companies care deeply about their ranking in the CPA-Zicklin Index and their overall scores continue to increase. The major findings from this year's report reflect that upward pressure:

- The average Index score for political disclosure and accountability for all S&P 500 companies rose 3 percent over last year;
- 78 percent of S&P 500 companies fully or partially disclosed their political spending in 2022 or prohibited at least one type of spending;
- The number of core S&P 500 companies in the bottom tier for overall scores keeps shrinking, as it has consecutively since 2015;
- 89 companies are in the top “Trendsetter” tier;
- More than half of S&P 500 companies now have board-level oversight of political activities.

With the expansion of the CPA-Zicklin Index to the full Russell 1000 list, we expect to see similar pressures on these newly indexed companies to increase their transparency. Ballard Spahr has helped numerous clients develop political spending policies that balance the desire for transparency with the client's policy goals and objectives. No matter where your company falls on the Index, we can assist you with navigating the challenges around political spending and disclosure, ensuring that your activities align with your ESG goals, and satisfying your shareholders.